

UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

IN RE:	§	
<b>WMF AIRPORT HOTEL, LTD</b>	§	<b>CASE NO. 11-34676</b>
<b>Debtor</b>	§	<b>(CHAPTER 11)</b>

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**ORIGINAL DISCLOSURE STATEMENT FILED  
BY DEBTOR WMF AIRPORT HOTEL, LTD.**

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THE COURT HAS APPROVED THIS DISCLOSURE STATEMENT, WHICH RELATES TO THE DEBTOR'S ORIGINAL PLAN OF REORGANIZATION. A COPY OF THE PLAN IS INCLUDED HERewith AND DESCRIBED IN THIS DISCLOSURE STATEMENT.

**THE DEBTOR URGES YOU TO VOTE IN FAVOR OF THIS PLAN.**

LAW OFFICE OF PETER JOHNSON

*/s/Peter Johnson*

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<p><b>PLEASE TAKE NOTICE THAT APPROVAL OF THIS DISCLOSURE STATEMENT BY THE COURT IS NOT A FINDING BY THE COURT THAT THE INFORMATION CONTAINED HEREIN IS ACCURATE OR THAT THE COURT ENDORSES THE ENCLOSED PLAN. RATHER THE COURT HAS APPROVED THE DISCLOSURE STATEMENT AS COMPLYING WITH 11 U.S.C. § 1125 AS CONTAINING ADEQUATE INFORMATION AS REQUIRED BY SUCH PROVISION OF LAW.</b></p>
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## 1. INTRODUCTION

Debtor WMF AIRPORT HOTEL, LTD. ("WMF Airport Hotel" or "Debtor") submits this Disclosure Statement Under 11 U.S.C. § 1125 in Support of Debtor's Original Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code (the "Disclosure Statement") in connection with its solicitation of acceptances of the Plan under Chapter 11 of the United States Bankruptcy Code filed jointly by the Debtor (the "Plan"). A copy of the Plan is enclosed herewith for your review.

This Disclosure Statement is being provided in order to disclose important and necessary information to allow a reasonably informed decision by creditors receiving distribution under the Plan to exercise its rights to vote on the Plan. The purpose of this summary is to answer questions, which are most often asked by a party receiving a Disclosure Statement. Unless otherwise stated, the information contained herein is current as of September 30, 2011 which is at the end of the Debtor's most recently reported accounting period. Also, the forecast provided with the Disclosure Statement are figured around that date as well. A term used in this Disclosure Statement and not defined herein has the meaning assigned to that term in either the Plan or the Bankruptcy Code.

In addition to reviewing this Disclosure Statement, all persons receiving the Disclosure Statement are urged to review fully the provisions of the Plan and all attachments to the Disclosure Statement.

This Disclosure Statement is not intended to replace careful review and analysis of the Plan. Rather, it is submitted as an aid and supplement in your review of the Plan and in an effort to explain the terms and implications of the Plan on file with the Bankruptcy Court. Every effort has been made to explain fully the various aspects of the Plan as it may affect all creditors and holders of interest. If you have any questions, the Debtor urges you to contact Debtor's legal counsel and every effort will be made to assist you.

The Bankruptcy Court entered an order approving the Disclosure Statement and finding that it contains information of a kind and in sufficient detail, adequate to enable creditors whose votes on the Plan are being solicited, to make an informed judgment whether to accept or reject the Plan.

Creditors should read this Disclosure Statement in its entirety prior to voting on the Plan. No solicitation of votes on the Plan may be made, except pursuant to this Disclosure Statement and Section 1125 of the Bankruptcy Code. No other party has been authorized to utilize any information concerning the Debtor or its affairs, other than the information contained in this Disclosure Statement, to solicit votes on the Plan. Creditors and holders of equity interest should not rely on any information relating to the Debtor, other than that contained in this Disclosure Statement and the exhibits attached hereto.

**EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE APPENDIX, NO REPRESENTATIONS CONCERNING THE DEBTOR, THE ASSETS, THE PAST OPERATIONS OF THE DEBTOR, OR THE PLAN ARE AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY REPRESENTATIONS MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR.**

**EXCEPT AS SPECIFICALLY NOTED, THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS**

**DISCLOSURE STATEMENT. THE DEBTOR IS NOT ABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY. THE FACTUAL INFORMATION REGARDING THE DEBTOR, INCLUDING THE ASSETS AND LIABILITIES OF THE DEBTOR, HAS BEEN DERIVED FROM NUMEROUS SOURCES, INCLUDING, BUT NOT LIMITED TO, DEBTOR'S BOOKS AND RECORDS, SCHEDULES AND DOCUMENTS SPECIFICALLY IDENTIFIED HEREIN.**

**THE DEBTOR ALSO COMPILED THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT FROM RECORDS AVAILABLE TO THEM, INCLUDING, BUT NOT LIMITED TO, PLEADINGS AND REPORTS ON FILE WITH THE BANKRUPTCY COURT, LOAN AGREEMENTS AND BUSINESS RECORDS.**

**THE APPROVAL BY THE BANKRUPTCY COURT OF THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTY OF THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.**

**THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.**

**NEITHER THE DEBTOR NOR COUNSEL FOR THE DEBTOR CAN WARRANT NOR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS WITHOUT INACCURACIES. NEITHER THE DEBTOR NOR THEIR COUNSEL HAS VERIFIED THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, ALTHOUGH THEY DO NOT HAVE ACTUAL KNOWLEDGE OF ANY INACCURACIES.**

**IF THE REQUISITE VOTE IS ACHIEVED FOR EACH CLASS OF IMPAIRED CLAIMS, THE PLAN IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN), WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.**

### **1.1. Purpose of Chapter 11**

Chapter 11 is the principal reorganization Chapter of the Bankruptcy Code. Under Chapter 11, a debtor in possession attempts to reorganize its affairs. The formulation of a plan of reorganization or a plan of liquidation is the principal purpose of a Chapter 11 case. This Plan sets forth the means for satisfying the holders of claims against the Debtor through reorganizing the affairs of the Debtor.

Confirmation of a plan is necessary for a Debtor in Chapter 11 to provide the court-approved treatment to its creditors under its plan. Unless the plan is confirmed, the Debtor is legally prohibited from providing you what it has proposed in its plan. In the event of a conflict or difference between the definitions used, and provisions contained in the Disclosure Statement and the Plan, the definitions in the Plan shall control.

## **1.2. Source of Information in Disclosure Statement**

The information contained in this disclosure statement was collected from the records of WMF Airport Hotel, provided by the members of the management of WMF Airport Hotel and has not been the subject of an external audit.

## **2. BACKGROUND OF THE DEBTOR**

### **2.1. The Formation of the Debtor and Operational History**

WMF Airport Hotel is a Texas Limited Partnership formed in 2005 to purchase and rehabilitate the real property presently owned by the Debtor into a performing hotel on real property located next to Hobby Airport, Southeast of downtown Houston, Texas at 8611 Airport Boulevard, Houston, Harris County, Texas ("Hotel"). The Hotel and its related furnishings constitute the property owned by the Debtor.

The Hotel was originally constructed in 1985 and was initially operated under the Holiday Inn flag. The previous owner of the Hotel lacked the capital to maintain the first tier Holiday Inn flag and in 2004 was forced to close the Hotel. The Debtor acquired the Hotel, invested significant capital to rehab, refurnish and reopen the Hotel. The rehabilitation included not only the physical structure, but complete new soft goods and furniture package for all guest rooms. The initial reopening in 2005 was under the Ramada Plaza flag, a significantly lower tier flag than the predecessor. In the Fall of 2006, after engagement of American Liberty Hospitality, Inc. ("ALHI"), the Hotel again acquired the Holiday Inn flag. The change added substantial occupancy, primarily from the superior reservation system utilized by Holiday Inn.

Hurricane Ike, which occurred in September 2008, required the Hotel to evacuate on September 12 and due to damages from high winds was unable to reopen until October 1 of the same year. Following immediate clean up during the twenty days that the property was closed, a number of rooms remained out of order for replacement of all of the damaged soft goods. Rooms remained out of order on a rotating basis for a period of approximately four additional months. Approximately \$1,143,500 in repairs and renovations were completed following the hurricane, although repairs were complicated by the refusal of the Debtor's prime lender to release insurance funds recovered for such repairs. There is currently no residual damage from the hurricane.

To maintain the first tier flag with Holiday Inn, the Debtor has successfully completed renovations related to the Holiday Inn Re-launch Program between January of 2008 and July 31, 2010. The Holiday Inn brand relaunch is the largest in the history of the hospitality industry, with more than 3,300 hotels around the world being updated -improving quality and driving consistency at Holiday Inn and Holiday Inn Express hotels around the world. Globally more than 2,500 hotels have already been relaunched. The relaunch focused on the following items, among others, which have been completed by the Debtor:

- Upgraded and decluttered lobby areas
- A Holiday Inn signature scent and sound
- New exterior lighting and landscaping

- New signage with the redesigned logo
- All Holiday Inn employees also go through an extensive "Stay Real" training program to ensure guests receive the level of service they expect.

## 2.2. Partners of WMF Airport Hotel, Ltd

Under Texas law, the Debtor's limited partnership is owned by the following Partners:

WMF Development, Inc.	1%	Sole General Partner
William M Friedrichs, Jr.	49%	Limited Partner
ALH Properties No. 1, Inc. <sup>1</sup>	30%	Limited Partner
ALH Properties No. 11, Inc.	20%	Limited Partner

## 2.3. Management of Hotel

American Liberty Hospitality, Inc. ("American Liberty") has managed the day to day operations of the Hotel for over four (4) years and American Liberty is currently the management company engaged by the Debtor with the permission of the Court as well as permission of its lenders prior to the filing of the case. American Liberty was instrumental in acquiring the Holiday Inn flag for the Hotel and is compensated at the rate of 3% of gross revenues. American Liberty manages several hotel properties in the Houston, Harris County area and will continue to provide management subsequent to confirmation of the Plan. American Liberty is owned by Nick Massad, one of the owners of the ALH Properties No. 1, Inc. and ALH Properties No. 11, Inc., holders of 50% of the partnership in the Debtor.

### 2.3.1. Physical Assets

WMF Airport Hotel maintains 194 guestrooms, public areas and attendant furniture, fixtures hotel equipment and miscellaneous mechanical systems.

WMF Airport Hotel has relied on management's knowledge in estimating the fair market value of its assets. Specifically, WMF Airport Hotel scheduled the following assets on the date of filing of the case.

ASSET	FMV
Real Property and Related Personal Property Hotel	\$9,723,220.00
Cash	\$89,338.34
Accounts	\$124,371.15
Inventory	\$18,475.18

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<sup>1</sup> The ALH entities are owned by Nick Massad and family.



<b>Total:</b>	<b>\$9,955,404.67</b>

### 2.3.2. Appraisals of the Hotel

In its business operations and financial capitalization, WMF Airport Hotel, primarily through Lenders, has commissioned periodic appraisals by independent appraisers to establish value for the Hotel. The following are the results of such appraisals:

DATE	AS-IS VALUE	STABILIZED VALUE DATE	FMV	FF&E CONTR	APPRAISER
July 2009	\$11,400,000	July 2011	\$12,400,000	\$1,400,000	US Realty Consultants, Inc.
August 2010	\$9,700,000	August 2014	\$11,500,000	\$1,500,000	US Realty Consultants, Inc.
March 2011	\$8,600,000	March 2014	\$10,300,000	\$1,500,000	US Realty Consultants, Inc.
July 2011	\$8,000,000	July 2014	\$9,600,000	\$1,500,000	US Realty Consultants, Inc.

The Debtor disputes the appraisal reduction trend disclosed by the appraisals commissioned by Wells Fargo, the Primary Lender on the Hotel and believes that the Hotel has a value that equals or exceeds the claim filed by Wells Fargo in the case, as reflected in the earlier appraisals. Unlike other properties, the Hotel has had no significant changes since the July 2009 (post-hurricane Ike period), but only improvement and the Holiday Inn Re-launch Program, which was completed in 2010 has significantly improved the appearance and service. Contrary to the most current appraisal commissioned by Wells Fargo reducing the value by 17% in 2011, the Harris County Tax Appraisal District has increased the assessed value of the Hotel by ten (10%) percent over that same period. Apparently, Wells Fargo seeks to block the proposed restructure by the radical reduction in value of the Hotel presented by its appraisers.<sup>2</sup>

### 2.3.3. Accounts Receivables

The Debtor has an interest in accounts generated by Hotel rentals, although most are paid current with the service. A listing was provided in the official schedules filed in the bankruptcy case and has remained consistent since the filing of the Case.

The accounts owned by WMF Airport Hotel are routinely all collected.

### 2.4. Business of WMF Airport Hotel

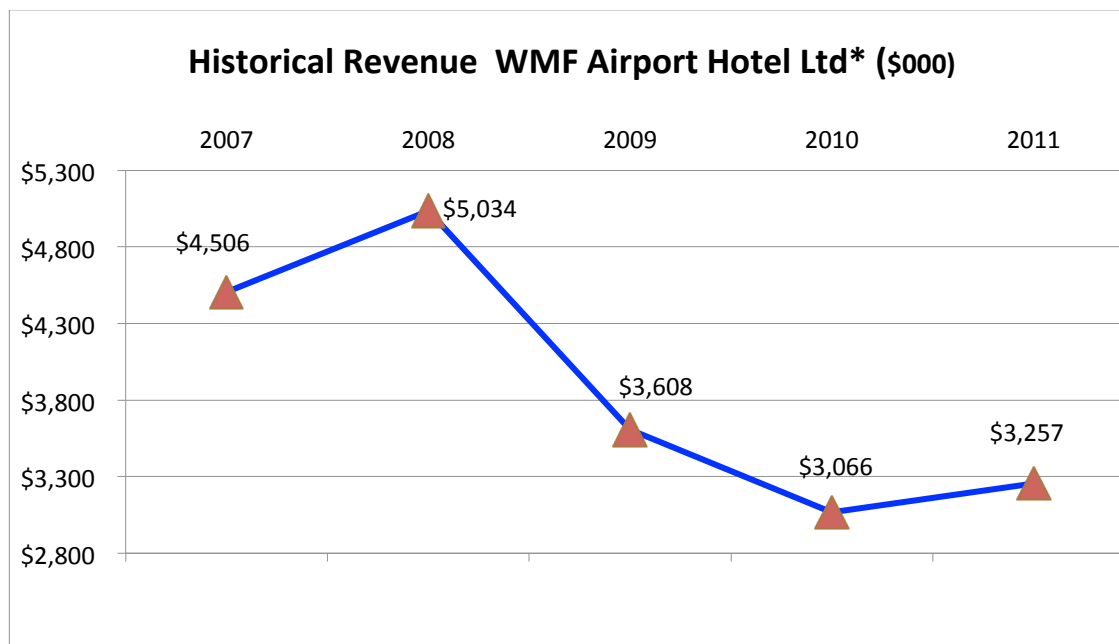
The basic business operated by WMF Airport Hotel is the operation and renting of rooms in a Holiday Inn Hotel.

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<sup>2</sup> On September 15, 2011, Wells Fargo filed a Motion for Relief from the Bankruptcy Stay to all foreclosure and stated that “...Given the substantial size of Wells Fargo’s likely deficiency claim, Wells Fargo will hold a blocking position in any plan...”



Historically, WMF Airport Hotel has produced significant revenues and its reported gross receipts for the four (4) years prior to bankruptcy as well as the 2011<sup>3</sup> revenues are as follows:



## 2.5. Employees.

WMF Airport Hotel has no employees, but is managed by American Liberty under a management and agreement. American Liberty contracts for employees.

## 3. SIGNIFICANT EVENTS DURING BANKRUPTCY

### 3.1. Voluntary Petition filing

On June 3, 2011 WMF Airport Hotel filed a voluntary chapter 11 case in the Bankruptcy Court for the Southern District of Texas.

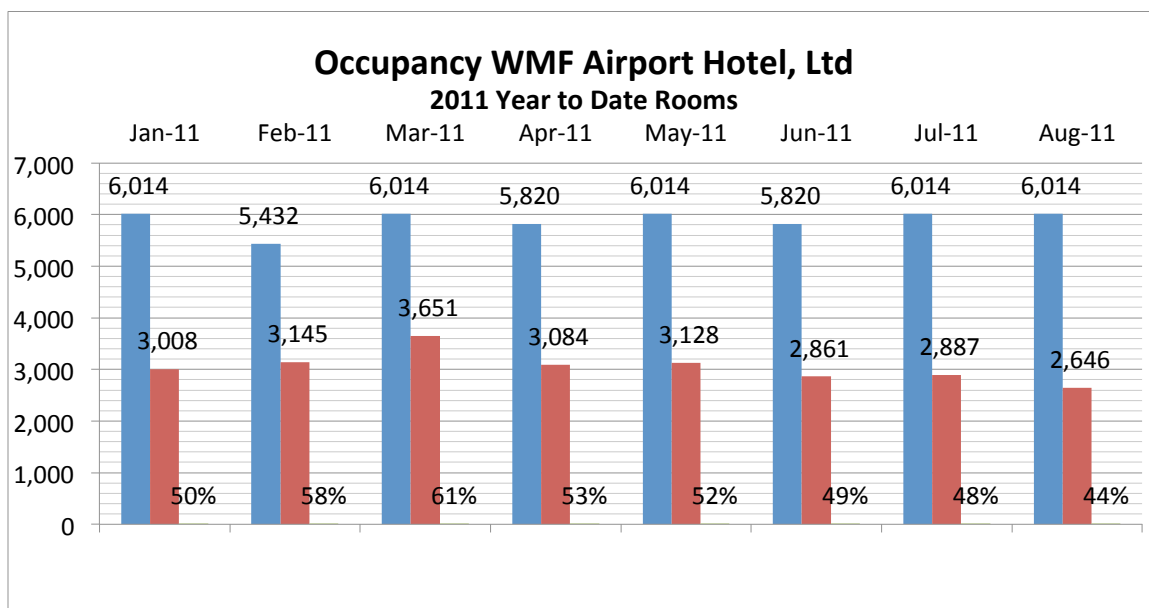
### 3.2. Activity Since filing

Immediately after the filing of the case, WMF Airport Hotel sought use of the rent revenues to operate the Hotel. After initially authorizing use on an expedited basis, the Court approved an agreement between the Debtor and Wells Fargo authorizing the budgeted use of cash collateral collected from Debtor's operations, pending the presentation of a plan of reorganization.

The Debtor currently has 194 rooms available for rent and has maintained occupancy for 2011 as follows:

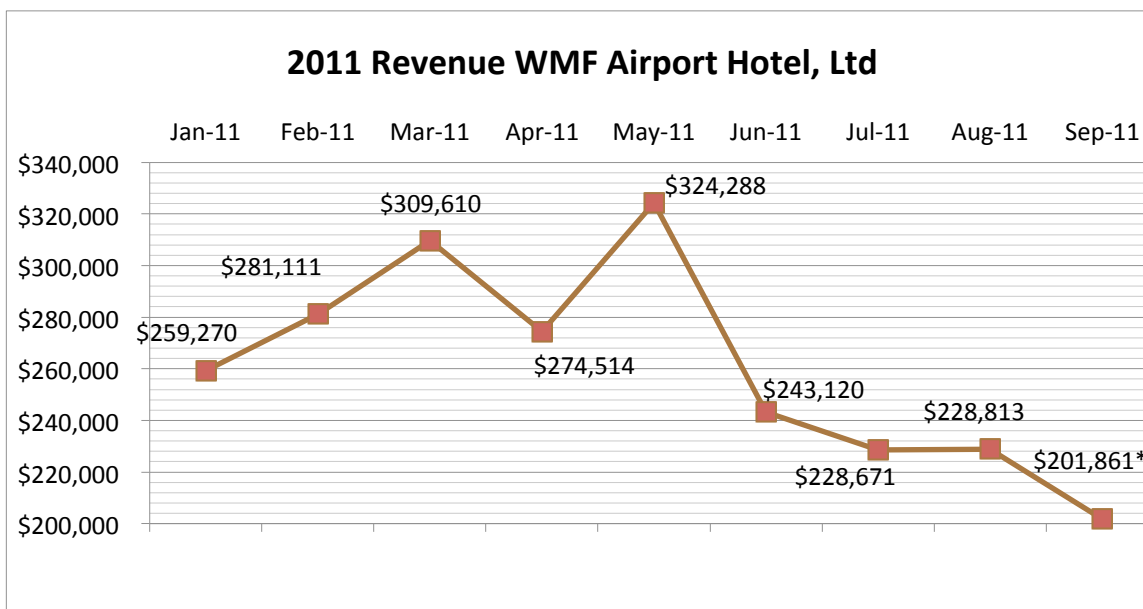
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<sup>3</sup> Includes actual through August 2011 and projection for remaining months of 2011.

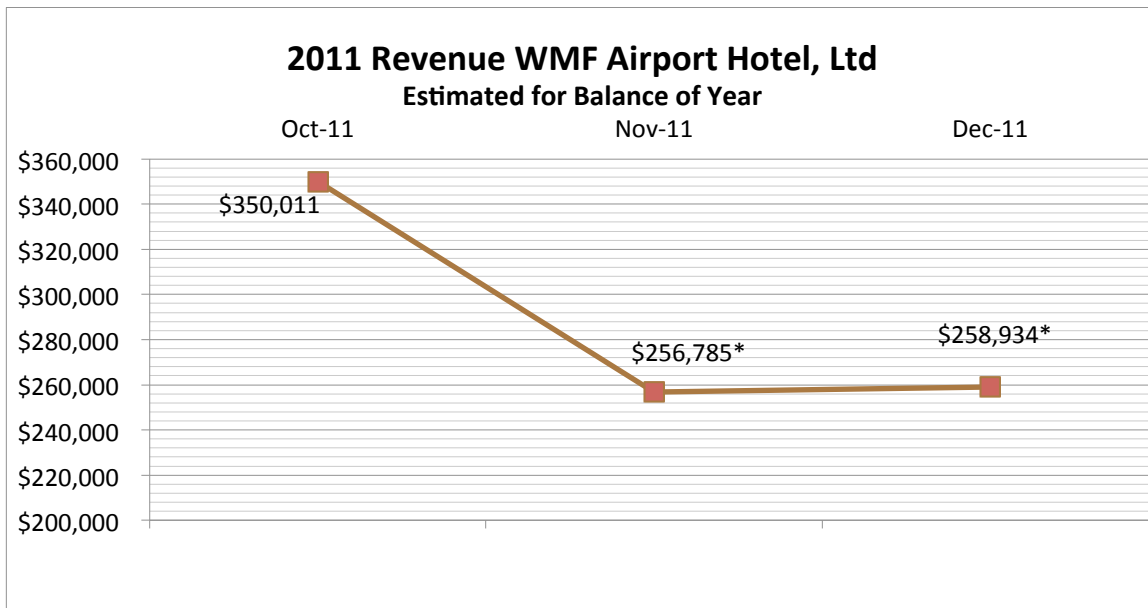


The Hotel is located near Hobby Airport and because it serves primarily business travelers, revenues and occupancy tend to be low in the Summer season and rise in the Fall and Winter, with May being the most active.

The following represents the Debtor's business activity in 2011 and a projection of activity for the remainder of the year:



\*decline is due to normal cyclical seasonality



\*decline is due to normal cyclical seasonality

### 3.3. Bar Date

The Bankruptcy Court established September 26, 2011 as the last date to file proofs of claim (the "Bar Date") in the WMF Airport Hotel case. The same order provides that claims filed after the Bar Date would be forever barred from sharing in any distributions from the Debtor's estate.

Pursuant to the provisions of Bankruptcy Rule of Procedure 3003, it is not necessary for any claimant to file a proof of claim unless their claim is scheduled by WMF Airport Hotel as disputed, contingent or unliquidated. Additionally, in the event that the amount scheduled by the Debtor differs from the amount allegedly owed on the debt, a claim must be timely filed.

### 3.4. Appointment of Creditors Committee

Under the rules of bankruptcy, the office of the United States Trustee in its capacity of oversight in Chapter 11 proceedings is authorized to designate and appoint an official committee of creditors. In the WMF Airport Hotel case, the United States Trustee was unable to form a committee.

### 3.5. Financial Condition Since the Petition Date

WMF Airport Hotel has operated its business affairs as Debtor-in-Possession since the entry of an order for relief under Chapter 11 to the extent required to maintain the business, but has not made any extraordinary disposition or acquisition of assets since that date. Attached hereto is a copy of the most recent unaudited balance sheet and income statement in the form of the Debtor's Monthly Operating Report filed with the United States Bankruptcy Court for the period ending September 30, 2011.

#### 4. ANTICIPATED FUTURE OF WMF AIRPORT HOTEL

##### 4.1. Effect of Reorganization

The Debtor expects to implement its Plan and continue on its business restructure that should provide full compliance with the Plan. Attached hereto is a financial projection prepared by management that projects income, expense and provisions for payment of creditor claims under the Plan.

All of the foregoing together with the restructure under Chapter 11 should enable the Debtor to return to its prior occupancy with revenue sufficient to service all debt provided under the Plan.

#### 5. OVERVIEW OF THE PLAN

##### 5.1. Effect of the Plan on the Debtor

The Plan will have the effect of paying the Secured Creditor Claims of Wells Fargo and the Taxing Authorities in full, while maintaining existing lien rights. The Plan provides for the 100% payment of allowed unsecured creditor claims, the majority from a quarterly disbursing account over a period of five (5) years. A copy of the proposed Plan is enclosed with this Disclosure Statement. The provisions of that Plan will control over and conflict with the following summary.

##### 5.2. Claims to be Served by Plan

WMF Airport Hotel believes that the following are claims that are to be served by the Plan:

CLASS	CREDITORS	AMOUNT
1	SECURED LENDER CLAIMS	\$9,563,258
2	SECURED TAX CLAIMS	\$50,864
3	UNSECURED CONVIENCE CLAIMS	\$2,640
4	GENERAL UNSECURED CLAIMS	\$120,435
5	PRIORITY WAGE CLAIMS	\$11,725
6	EQUITY OWNED BY THE PARTNERS	
	<b>TOTAL CLAIMS</b>	<b>\$9,748,922.00</b>

##### 5.3. Summary of Classification and Treatment of Claims and Interests

###### 5.3.1. Administrative Claims

Obligations incurred by WMF Airport Hotel during its reorganization process and prior to the confirmation of the Plan will be paid in full and in cash on or before the effective date of the Plan or if required, when approved by the Court. These types of claims are not classified for reorganization for the reason that WMF Airport Hotel is bound by rules of bankruptcy operation to pay such claims as they come due, unless they are of the specific type that require prior court approval such as professional fees of attorneys. The funds for any such payment will come from the business operations of the Debtor. The Debtor may not have

sufficient liquidity on the Effective Date to pay all such Administrative Claims, in which case it will obtain agreements to pay such claims over negotiated terms that will not interfere with other performance under the Plan. In the event that the holder of an Administrative Claim is not paid on the later of the Effective Date or approval by the Court of such claim, the Reorganized Debtor shall, by virtue of confirmation of this Plan, grant a security interest in its accounts, intangibles, equipment and inventory, subordinate only to all other security interest granted under this Plan and other orders of the Court, to secure payment of such Administrative Claims. All such delayed payments shall bear interest at the rate of four (4.0%) percent per annum, beginning on the later of the Effective Date or approval by the Court of such claim.

The Plan provides that professional fees and expenses incurred after the confirmation of the Plan will be the responsibility of the Reorganized entity. It is anticipated that professional fees for consummation of the Plan will be approximately \$5,000. Additionally, WMF Airport Hotel shall be required to continue to pay quarterly administrative fees to the office of the United States Trustee until a final decree is entered in the case. These fees do not require court approval, but are required to be paid by applicable law, which sets the rate.

### **5.3.2. Priority Claims**

On the date of the entry of an order for relief in the case under Chapter 11, taxes were due to the various state and local taxing authorities that are granted priority under the provisions of 11 U.S.C. §507 of the bankruptcy code, but in this case these tax claims are also secured by the Hotel. All property taxes due to be paid prior to the filing of the case, were timely paid. However, the 2011 property tax became due pre-petition and will be paid pursuant to Class 2 of the Plan. The total amount of the Claim is \$50,684.44. An additional priority is provided for wages owed prior to filing. Seyed Salehi, the on-site manager agreed to the postponement of wages prior to filing in the amount of \$33,333.20. However, only \$11,725.00 is allowed as a Priority Claim and the balance shall be treated as a general unsecured claim in the case. The Priority Claim of Seyed Salehi shall be paid under Class 5 of the Plan.

### **5.3.3. Claims Of Creditors That Hold Collateral To Secure Repayment Of Their Claims**

A separate category has been created in the Plan for treatment of Wells Fargo Bank, NA ("Wells Fargo"), the lender holding the first mortgage on the Hotel. The Debtor believes that the Claim of Wells Fargo is fully Secured by the Value of its Collateral on the date of the Bankruptcy case filing in the amount of the filed Claim of \$9,563,268.40 or in such amount greater to the extent the Court determines that the Collateral has a higher value, and will be paid in full in the following manner:

**Class 1 Plan Note:** The Reorganized Debtor shall issue to Wells Fargo a Note dated as of the Effective Date under this Plan, in the principal amount of the Wells Fargo claim, in renewal, modification and extension of Wells Fargo's existing note.

**Interest Rate:** Interest on the unpaid outstanding principal balance of Class 1 Plan Note shall be fixed at confirmation at the rate of five (5) year T- Bill Rate plus two and one-half percent (2.5 %) per annum. "T-Bill Rate" means the rate as published in the "Money Rates" section of the Wall Street Journal for Treasury Notes for the stated term.

**Payment Terms.** The Wells Fargo Plan Note shall be amortized and paid in monthly installments of principal and interest, as though said note was being amortized on a 360 month amortized basis. The Wells Fargo Note shall become due and payable in full five (5) years after date of issue.

**Collateral:** Wells Fargo shall retain all of its liens and security interests in the Debtor's property and assets granted to it pursuant to the Secured Lender Loan Documents, with the same validity, enforceability, attachment, perfection, priority and legal rights that existed on the Petition Date.

**Additional Collateral:** Wells Fargo shall be granted an additional lien against a parcel of improved real property known as the Challenger Center Property (*parcel of improved commercial real property located at 801 E NASA Road 1 in Webster, Texas 77598 and owned by WMF Challenger Plaza, LTD<sup>4</sup>*.) with all rights currently held by Wells Fargo in relation to the Challenger Center Property as further Collateral. In any foreclosure, Wells Fargo shall first exhaust the Debtor's property before foreclosing on the Challenger Center Property. The Challenger Center Property is currently secured by a first lien note in favor of Wells Fargo in the original amount of \$7,500,000 with a current balance of approximately \$5.9 million. The Challenger Center has an appraised value of more than \$9.6 Million<sup>5</sup>.

**Default Provisions:** Upon a default by the Reorganized Debtor in the performance of its obligations under the Class 1 Plan Note, Wells Fargo may exercise all of its rights and remedies set forth in its pre-bankruptcy lender documents, or any right or remedy available under applicable bankruptcy or non-bankruptcy law, or any right or remedy available under related security documents, including but not limited to, its rights to obtain possession and foreclose upon the Wells Fargo Collateral; provided, provided, however, before exercising any such right or remedy, (a) Wells Fargo must give written notice of non-monetary default and an opportunity to cure such default for a period of 45 days from the date of service of such written notice of a non-monetary default, and (b) Wells Fargo must give written notice of monetary default and an opportunity to cure such default for a period of 15 days from the date of service of such written notice of a monetary default. Such written notice shall be served by certified mail, return receipt requested, or by messenger, and shall be addressed to the maker of the Class 1 Plan Note and all Guarantors of the Wells Fargo Claim.

An additional separate class has been created for the payment of the Debtor's secured property taxes and will be paid in cash payments, including interest at the rate established by applicable non-bankruptcy law for the payment of such claims in equal monthly payments beginning the first day of the month following ten (10) days from the non-bankruptcy due date, with the last payment due twenty-four (24) months from the Order for Relief. Likewise, the tax claimants shall retain all of their liens in the Debtor's Property granted by law, with the same validity, enforceability, attachment, perfection, priority and legal rights that existed on or after the Petition Date.

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<sup>4</sup> This entity is owned by William M. Friedrichs, Jr., one of the Debtor's Limited Partners.

<sup>5</sup> Appraised in August 2009.

#### **5.3.4. Unsecured Claim Treatment-Full Payment**

The unsecured claims will be paid their claims in full, without interest, in three separate classes. **First, (i)** for the sake of convenience all claims less than \$450.00 will be paid within thirty (30) days from the Effective Date of the Plan. **Second, (ii)** the priority wage claims will be paid in twelve (12) equal monthly payments beginning the first day of the month following ten (10) days from the Effective date; and, **Third (iii)** all remaining unsecured claims shall be paid in full without interest, by a quarterly Pro-rata cash distribution of a Dividend from the balance in the Unsecured Creditors Fund, beginning thirty (30) days after the end of the first calendar quarter after confirmation until paid in full. The Unsecured Creditors Fund shall be populated by monthly deposits of \$2,000 per month.

#### **5.3.5. The Partners of WMF Airport Hotel**

Under the Plan, the Equity holders will retain their interest. However, the Reorganized WMF Airport Hotel will be prohibited from advancing funds, making loans, granting raises or distributing bonuses to any equity holder until all the payments required by the Plan have been made and for the further contribution of additional collateral provided to Wells Fargo. To the extent the Partners or others have guaranteed obligations of the Debtor, nothing in the Plan shall be deemed to release the liability of any non-debtor guarantor to a Creditor; provided, however, that so long as the Debtor is current with respect to all of its obligations under the Plan and the Confirmation Order, Creditors will not be allowed to pursue collection of their Claims from any guarantor. If the Debtors commit an uncured default in their obligations under the Plan, then and only then may Creditors seek relief against such guarantors.

#### **5.4. Modification or Revocation of the Plan**

The Debtor may, with the consent of the Court and in accordance with the Bankruptcy Code, amend or modify the Plan prior to the date on which the Bankruptcy Court enters the order confirming the Plan (the "Confirmation Date"). The Debtor may seek to amend or modify the Plan as a result of substantive or technical objections to the Plan filed by holders of claims, as a result of any other matter that may affect the Debtor's ability to obtain confirmation of the Plan, or if for any other reason, such amendment or modification is determined by the Debtor to be in its best interest.

The potential impact of any such amendment or modification on the holders of claims cannot currently be foreseen, but may include a change in the economic impact of the Plan on some or all of the Classes or a change in the relative rights of such Classes.

If such amendments or modifications are adverse, the Plan, as amended, may be resubmitted and any Class of claims that is adversely affected thereby may be given the opportunity to withdraw any votes for the Plan prior to such modification or amendment. After the Confirmation Date, inconsistencies in the Plan or in the order of the Bankruptcy Court may be necessary to carry out the purposes and intent of the Plan, so long as the holders of claims are not adversely affected and the Bankruptcy Court approves such correction or reconciliation.

### **6. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

The bankruptcy law allows the Debtor to assume or reject any pending lease agreements or executory contracts that exist on the date of the order for relief. WMF Airport Hotel scheduled executory contracts or leases and all contracts with the Debtor for ongoing work in the



ordinary course of business shall continue, and to the extent required are expressly assumed by confirmation of the Plan, including, but not limited to the following:

American Liberty Hospitality, Inc. – Hotel Management Agreement.  
Intercontinental Hotel Group – Holiday Inn Franchise Agreement.  
Wells Fargo Financial Leasing – Equipment lease.

## **7. Appointment of Professionals and Compensation**

During the bankruptcy process, the employment of professionals by a Debtor-in-Possession is restricted by the provisions of 11 U.S.C. §327 and requires Court authority to employ and compensate such professionals. In this proceeding it has been necessary for the Debtor to employ professionals to assist with its legal matters. In this bankruptcy case, WMF Airport Hotel engaged the following professional:

### **7.1. Attorneys**

**Law Offices of Peter Johnson.** Prior to the entry of the Order for Relief in this case, WMF Airport Hotel engaged Peter Johnson, Esquire (“Johnson”) to provide legal services to the Chapter 11 entity as its general bankruptcy counsel. The Debtor paid a retainer fee amount of \$25,000.00 to Johnson for legal costs and professional services to be provided to the Debtor in this proceeding and on the date of filing. Prior to the filing, costs in the amount of \$1,039.00 and pre-filing professional fees in the amount of \$11,552.00 were paid from such retainer. The balance in the amount of \$12,904.00 has been applied to post-petition costs and fees. The Debtor estimates that additional fees for representation by the Law Offices of Peter Johnson will not exceed \$35,000. Other than the fees due to the United States Trustee, there are no other known administrative expenses to be paid.

## **8. ACCEPTANCE AND CONFIRMATION OF THE PLAN**

### **8.1. Acceptance of the Plan**

Confirmation of a Plan under Chapter 11 requires, among other things, that at least one class of creditors or claimants who are not insiders, vote in favor of the Plan. This vote is calculated by counting only those creditors who actually send in a ballot on time. If two thirds in total dollar amount and a majority in number of claims actually voting in a class approve the Plan, that class of creditors is considered an accepting class. Under the Plan proposed by WMF Airport Hotel, one Class must vote in favor of the Plan for it to be confirmed by the Court. The Debtor believes that claimants will support the Plan when they consider the fact that the assets available to pay their claims consist of operating revenues that will likely be entirely lost in the event the reorganization is unsuccessful. In the event that no class votes to accept the plan, an alternative plan may be proposed by the Debtor. However, the failure of confirmation could result in the loss of the Hotel to the benefit of the Secured Lender without payment of any dividend to remaining creditors or equity.

The proponent of a Plan also must meet all other applicable requirements of Section 1129(a) of the Bankruptcy code (except Section 1129(a)(8), if the proponent proposes to seek confirmation of a Plan under Section 1129(b) of the Bankruptcy Code). These other requirements include, among other things, that the Plan comply with the applicable provisions of

Title 11 and other applicable law, that the Plan be proposed in good faith, and that at least one impaired class of creditors vote to accept the Plan. WMF Airport Hotel believes that the Plan satisfies all other applicable requirements of Section 1129(a) of the Bankruptcy Code. Provided, in the event that a class votes to reject the Plan under 1129(a)(8), the Debtor believes that the Plan is fair and equitable to all classes and will seek confirmation by cram down.

## 8.2. Impairment of Claims

A class is "impaired" if the legal, equitable or contractual rights attaching to the claims or interest of that class are modified under a plan. Modification for purposes of determining impairment however, does not include curing defaults and reinstating maturity or cash payment in full. Classes of claims or interests that are not "impaired" under a plan are conclusively presumed to have accepted the plan and are thus not entitled to vote. Classes of claims or interests receiving no distribution under a plan are conclusively presumed to have rejected the plan and thus are not entitled to vote. Acceptances of the Plan are being solicited only from those persons who hold claims in an impaired class entitled to receive a distribution under the Plan.

Under Section 1124 of the Bankruptcy Code, a class of claims or interests is impaired under a plan, unless, with respect to each claim or interest of such class, the plan:

1. Leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or interest; or
2. Notwithstanding any contractual provision or applicable law that entitles the holder of a claim or interest to receive accelerated payment of its claim or interest after the occurrence of a default:
  - (a) Cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in Section 365(b)(2) of the Bankrupt Code;
  - (b) Reinstates the maturity of such claim or interest as it existed before the default;
  - (c) Compensates the holder of such claim or interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and
  - (d) Does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or interest; or
3. Provides that, on the Effective Date the holder of such claim or interest receives, on account of such claim or interest, cash, equal to:
  - (a) With respect to a claim, the allowed amount of such claim; or
  - (b) With respect to an interest, if applicable, the greater of:
    - (1) Any applicable fixed liquidation preference; or
    - (2) Any fixed preference at which the Debtor, under the terms of the security, may redeem the security.

In Section 5 of the Plan, the Debtor has identified the impaired classes of creditors under the Plan. In the event there are questions regarding whether a person is in an impaired class, the person should assume that his or her claim is impaired and vote. If the claim is determined to be impaired, the vote will be considered by the Bankruptcy Court.

**IMPAIRED CREDITORS ANTICIPATED TO RECEIVE A DISTRIBUTION UNDER THE PLAN ARE BEING SOLICITED TO VOTE. IF YOU HOLD AN ADMINISTRATIVE CLAIM or UNIMPAIRED CLAIM, THE DEBTOR IS NOT SEEKING YOUR VOTE.**

### **8.3. Best Interest of Creditors**

Even if all classes of claims accept the Plan, the Bankruptcy Court may, nonetheless, still find the Plan unconfirmable. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests" test and be feasible. The "best interests" test generally requires the value of the consideration to be distributed to the holders of claims or interests under the Plan to not be less than those parties would receive if the Debtor were liquidated in a hypothetical liquidation under Chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the Bankruptcy Court must find there is a reasonable probability that the Debtor will be able to meet the obligations created under the Plan, without the need for further financial reorganization.

**THE DEBTOR BELIEVES THAT THE "BEST INTERESTS" TEST AND THE FEASIBILITY REQUIREMENTS OF SECTION 1129 OF THE BANKRUPTCY CODE CAN BE SATISFIED AT THE CONFIRMATION HEARING.**

### **8.4. Voting Procedures**

Any creditor of the Debtor whose claim is **IMPAIRED** under the Plan is entitled to vote, if either (1) the claim has been scheduled by the Debtor and such claim is not scheduled as disputed, contingent or unliquidated, or (2) the creditor has filed a proof of claim on or before the last date set by the Bankruptcy Court for such filings, *provided, however*, any claim as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court temporarily allows the creditor to vote upon motion by such claimant. Any such motion must be heard and determined by the Bankruptcy Court prior to the date established by the Bankruptcy Court to confirm the Plan. In addition, a creditor's vote may be disregarded if the Bankruptcy Court determines that the creditor's acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Holders of impaired claims who are entitled to vote and fail to do so will not be counted as either accepting or rejecting the Plan. Nevertheless, if the requisite vote is achieved for your class of impaired claims, you will be bound by the terms of the Plan.

A ballot to be used for voting to accept or reject the Plan is enclosed with this Disclosure Statement and mailed to creditors entitled to vote. A creditor must (1) carefully review the ballot and the instructions thereon, (2) execute the ballot, and (3) return it to the address indicated thereon by the deadline to enable the ballot to be considered for voting proposes.

**THE DEADLINE FOR RETURNING YOUR BALLOT IS STATED  
ON THE ENCLOSED BALLOT  
(THE "VOTING DEADLINE")**

After completion of the ballot, creditors should return the executed ballot in the self-addressed envelope to:

**WMF AIRPORT HOTEL PLAN  
C/O PETER JOHNSON, ESQUIRE  
P.O. BOX 980877  
HOUSTON, TX 77098-0877**

**VOTING INFORMATION AND INSTRUCTION FOR COMPLETING THE BALLOT:**

1. **FOR YOUR VOTE TO BE COUNTED YOU MUST COMPLETE THE BALLOT, INDICATE ACCEPTANCE OR REJECTION OF THE PLAN IN THE BOXES INDICATED ON THE BALLOT AND SIGN AND RETURN THE BALLOT TO THE ADDRESS SET FORTH ON THE PRE-ADDRESSED ENVELOPE. IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT WILL NOT BE COUNTED.**
2. If you hold claims in more than one class under the Plan, you may receive more than one ballot. Each ballot you receive votes only your claims for that class. Please complete and return each ballot you receive. You must vote all of your claims within a single class under the Plan to either accept or reject the Plan. Accordingly, a ballot (or multiple ballots with respect to multiple claims within a single class) that partially rejects and partially accepts the Plan will not be counted.
3. The ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or interest or an assertion of a claim.

**8.5. Chapter 7 Liquidation Analysis**

WMF Airport Hotel intends to use the Plan as a vehicle to pay creditors a meaningful dividend and therefore prevent the race by individual creditors to dismantle the assets and provide an unfair advantage to some creditors. The property owned by WMF Airport Hotel is primarily the Hotel and liquidation would almost dictate that unsecured creditors would not be paid any meaningful amount and they are better served by the proposed Plan. The secured creditors claims approximate \$9.5 million and are secured by virtually all assets of WMF Airport Hotel. As a result of the foregoing, if WMF Airport Hotel liquidated its assets in Chapter 7, it is unlikely that unsecured creditors would be paid anything. WMF Airport Hotel believes the following is an estimation of liquidation value of the Debtor's assets:

<b><i>Chapter 11 Plan Estimated Liquidation Value of Assets</i></b>			
<b>Assets</b>	<b>FMV</b>	<b>DISCOUNT</b>	<b>LIQUIDATION</b>
Real Property and Related Personal Property Hotel	\$9,563,268	15%	\$8,128,778
Cash	\$74,843	0%	\$74,843
Accounts	\$12,851	0%	\$12,851

Inventory	\$30,022	0%	\$30,022
<b>Total Assets at Liquidation Value:</b>	<b>\$9,680,985</b>		<b>\$8,246,495</b>
<b>LESS:</b>			
Secured creditors' recoveries			\$8,128,778
Chapter 7 trustee fees and expenses			\$82,465
Chapter 11 administrative expenses			\$25,000
Priority claims, excluding administrative expense claims			\$62,409
<b>Total Deductions in Chapter 7:</b>			8,298,652
<b>(1) Balance for unsecured claims</b>			-\$52,158
<b>(2) Total dollar amount of unsecured claims</b>			\$123,075
<b>Percentage of Claims Unsecured Creditors in a Chapter 7 Liquidation:</b>			<b>0%</b>
<b>Percentage of Claims Unsecured Creditors under the Plan:</b>			<b>100%</b>

#### 8.6. Feasibility of the Plan

The Bankruptcy Code requires that, in order for the Plan to be confirmed by the Bankruptcy Court, the Bankruptcy Court must determine that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor. WMF Airport Hotel believes that it will be able to fulfill its obligations under the Plan. Attached hereto is the Debtor's projection demonstrating the feasibility of the Plan. This appendix was prepared by WMF Airport Hotel from historical data and a projection model that incorporates both current sales data as well as projected increases. The projections contained in the appendix assume that revenue will be produced as projected by use of the current activity. The Debtor believes that the projections are sufficient to support the operations that WMF Airport Hotel believes will continue to increase its revenues as it moves back toward the 60% occupancy it previously experienced.

#### 8.7. Alternatives to the Plan

Alternatives to confirmation of the Plan include the submission of an alternative plan of reorganization by any party in interest. No party in interest has expressed to WMF Airport Hotel an intention to file an alternative plan of reorganization. The liquidation of the Debtor under Chapter 7 of the Bankruptcy Code, as described above (See Chapter 7 Liquidation Analysis), would also be an alternative to the Plan. In that event, it is unlikely that a dividend would be available to unsecured creditors.

### **8.8. Risk to Creditors if Plan is Approved**

It is probable that the unsecured creditors would not receive a dividend under Chapter 7. Even if this case were dismissed, the Secured Lender will likely foreclose on the Project and any unsecured creditors would be relegated to the race to judgment. However, under the Plan, the business operation developed by WMF Airport Hotel during its history will continue and WMF Airport Hotel believes that it will succeed in the implementation of its restructure that will provide full payment of claims within the budget that will allow fair and equal treatment to all creditors. There is always the risk that WMF Airport Hotel might be unable to pay any dividend if the market changes or some other unknown contingency occurs that impairs the ability of WMF Airport Hotel to produce the revenues needed. However, the unsecured claims under the Plan are much better off than if the estates were liquidated.

## **9. LITIGATION**

At the time of the filing of the case, WMF Airport Hotel was not involved in any litigation.

## **10. GOVERNMENTAL REGULATION**

There are no extraordinary government regulations that control the operation of WMF Airport Hotel, other than the industry specific regulations. WMF Airport Hotel is in compliance with such regulations and will continue to meet the required standards.

## **11. SELECTED FINANCIAL DATA**

### **11.1. Method of Accounting Used by Debtor**

The Debtor has utilized the accrual method of accounting in the preparation of its financial reports and accounting since its inception.

### **11.2. Financial Reports**

The Debtor has attached hereto a copy of the most recent statement of operations filed with the Court in this case, has further disclosed details of its assets and liabilities throughout this Disclosure Statement. This appendix contains both a current balance sheet and a statement of operations.

## **12. PREFERENCES AND RECOVERABLE TRANSFERS**

The provisions of §§544, 545, 546, 547 & 548 of the Bankruptcy Code provide for the recovery of property that was transferred to both existing creditors and other parties during the time period prior to bankruptcy filing ("Transfers"). The purpose of these provisions are to assure each creditor that they will be treated fairly and equal to creditors that have similar claims. For example, it would be unfair to allow a creditor to be paid on an overdue debt just prior to filing of the case when other creditors do not get paid. The law presumes that a transfer is recoverable if it was made within 90 days prior to bankruptcy filing and the transfer was for the payment of an antecedent or stale debt. There exist several defenses to the recovery of such transfers, such as debts paid in an amount less than \$5000, which may in some cases defeat an action to recovery of such transfers.

After an examination of the records by the Debtor, there do not appear to be any pre-petition transfer actions that will provide a benefit to the creditors when compared to the costs of recovery.

### **13. AFFILIATES OF THE DEBTOR**

The bankruptcy law defines an affiliate of a Debtor to be (1) a party that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of the Debtor or (2) a corporation, 20 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the Debtor, or by a party that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of the Debtor. The following may be affiliates:

WMF Development, Inc.	1%	Sole General Partner
William M Friedrichs, Jr.	49%	Limited Partner
ALH Properties No. 1, Inc. <sup>6</sup>	30%	Limited Partner
ALH Properties No. 11, Inc.	20%	Limited Partner

#### **13.1. Management of Hotel**

American Liberty Hospitality, Inc. (“American Liberty”) has managed the day to day operations of the Hotel for over four (4) years and American Liberty is currently the management company engaged by the Debtor with the permission of the Court as well as permission of its lenders prior to the filing.

### **14. MANAGEMENT OF THE REORGANIZED DEBTOR**

#### **14.1. American Liberty Management**

The Plan provides for American Liberty Hospitality, Inc. to continue to manage the day to day operations of the Hotel. However, the overall management of the business partnership that owns the Hotel will be by the partners identified above in accordance with the Limited Partnership Agreement between such partners.

### **15. CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

#### **15.1. Tax Generally**

The tax consequence to any particular creditor may vary depending on their own circumstances and they should consult with their own tax professional for advice regarding the impact on them of their acceptance or rejection of the Plan. The following discussion summarizes certain United States federal income tax consequences of the implementation of the Plan to the Debtor and Claim holders and Interest holders. A discussion of certain federal income

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<sup>6</sup> The ALH entities are owned by Nick Massad and family.



tax consequences of the Plan is provided below. This discussion is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), the Treasury Regulations issued (in final or temporary form) thereunder, judicial decisions and current Internal Revenue Service ("IRS") administrative determinations in effect as of the date of this Disclosure Statement. Changes in these authorities, which may have retroactive effect, or new interpretations of existing authority may cause the federal income tax consequences of the Plan to differ materially from the consequences discussed below. Moreover, no rulings have been requested from the IRS and no legal opinions have been requested from counsel with respect to any tax consequences of the Plan.

This discussion does not cover all aspects of federal income taxation that may be relevant to the Debtor or to claimholders or to interest holders. For example, the discussion provided below does not address issues of special concern to certain types of taxpayers, such as dealers in securities, life insurance companies, financial institutions, banks, small business investment companies, mutual funds, regulated investment companies, tax exempt organizations and foreign taxpayers. The discussion, moreover, is limited to federal income tax consequences and does not address state, local or foreign taxes.

The discussion set forth below is included for general information only. The Debtor and its counsel are not making any representations regarding the particular tax consequences of confirmation and consummation of the Plan with respect to the Debtor, claimholders or Interest holders, nor are they rendering any form of legal opinion or tax advice on such tax consequences. The tax laws applicable to partnerships in bankruptcy are extremely complex and the following summary is not exhaustive. For these reasons, the discussion that follows is not a substitute for careful tax planning and professional tax advice based upon the individual circumstances of each holder of a Claim or Interest. Holders of Claims or Interest are urged to consult with their own tax advisors regarding the federal, state, local and foreign tax consequences of the plan.

### **15.2. Federal Income Tax Consequences to the Debtor**

WMF Airport Hotel files a form 1165 tax return and is a partnership for federal income tax purposes. WMF Airport Hotel will be required to adjust certain tax attributes such as its basis in assets to the extent of any debt discharged and not repaid under the Plan. Under the Plan, the Reorganized Debtor will continue to be treated the same for federal income tax purposes on and after the Effective Date.

### **15.3. Federal Income Tax Consequences to Claimholders**

Generally, a claimholder holding a Claim that is a debt and that is not evidenced by a debt instrument is entitled to a bad debt deduction under Section 166 of the Tax Code when the debt becomes worthless as a consequence of bankruptcy. If the Claimholder is a corporation or the debt is not a non-business bad debt, the claimholder is entitled to an ordinary loss deduction and can also take a deduction for the partial worthlessness of the debt. If the claimholder is not a corporation and the debt is a non-business bad debt, the claimholder is entitled to a short-term capital loss, which can be deducted only in the year the debt becomes wholly worthless. A claimholder is entitled to a loss only to the extent of the claimholder's basis in the debt. Thus, a trade debt held by a cash basis claimholder generally does not give rise to a bad debt deduction because the claimholder has no basis in the debt before payment. On the other hand, an accrual basis trade claimholder is entitled to a bad debt deduction where the amount of the debt previously has been taken into income.

In the case of certain categories of Claims, consideration should be given to the possible availability of a bad debt deduction under Sections 165 and 166 of the Tax Code for a period prior to the Effective Date. In addition, because a loss will be allowed as a deduction only for the taxable year in which the loss was sustained, a Claimholder that claims a loss in the wrong taxable year risks denial of such loss altogether. Under certain circumstances, a claimholder may recognize ordinary income to the extent that such holder is deemed on the Effective Date to have received consideration for such Claim that represents a recovery of a prior bad debt or loss deduction, regardless of whether gain or loss would have otherwise been realized or recognized by such holder on consummation of the Plan. Claimholders who have taken a bad debt or loss deduction with respect to their claims should consult their own tax advisors as to the effect of such deduction in light of their particular circumstances.

In the case of Secured Claims, if mortgaged or pledged property is sold, whether to the creditor or another purchaser, for less than the amount of the Secured Claim, and the unsatisfied portion of the Secured Claim is not recovered, the holder of the Secured Claim may be able to deduct such unrecovered portion under Section 166(a) of the Tax Code as a bad debt, to the extent of the adjusted tax basis of such portion.

#### **15.4. Information Reporting and Backup Withholding**

Under the Tax Code's backup withholding rules, a Claimholder may be subject to backup withholding at a rate of twenty-eight percent (28%) with respect to distributions or payments made pursuant to the Plan unless that holder (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Claimholders may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

**THE FOREGOING IS INTENDED ONLY AS A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX ASPECTS OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE UNIQUE CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST.**

**DUE TO THE COMPLEX NATURE OF APPLICABLE TAX LAWS, CLAIMANTS SHOULD CONSULT WITH THEIR TAX PROFESSIONAL CONCERNING COMPLIANCE WITH AND THE AFFECT OF BOTH STATE AND FEDERAL TAX LAWS ON THEIR INTEREST BEFORE THEY CAST A BALLOT TO ACCEPT OR REJECT THE PLAN.**

**THE ACCOUNTANTS, ATTORNEYS, AND THE MANAGEMENT OF THE DEBTOR MAKE NO REPRESENTATIONS HEREIN CONCERNING THE IMPACT OF THE TAX LAW ON ANY INDIVIDUAL TREATED UNDER THE PLAN.**

DATED: October 21, 2011

Respectfully submitted,

*/s/ William M Friedrichs, Jr*

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William M Friedrichs, Jr. , President  
WMF Development, Inc., GP  
WMF AIRPORT HOTEL, LTD

10/20/11:Discl1WMF.docx

## DISCLOSURE STATEMENT APPENDIX "2"

MOR-1

## UNITED STATES BANKRUPTCY COURT

CASE NAME: WMF Airport Hotel, Ltd  
CASE NUMBER: 11-3467  
PROPOSED PLAN DATE: \_\_\_\_\_

ORDER FOR RELIEF D: 3-Jun-11  
DISTRICT OF TEXAS: Southern  
DIVISION: Houston

## MONTHLY OPERATING REPORT SUMMARY FOR

Sep-11

MONTH*	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
REVENUES (MOR-6)	243,120.00	228,671.00	228,813.00	201,861.00	0.00	0.00
INCOME BEFORE INT. DEPREC./TAX (MOR-6)	-3,051.00	-13,692.00	5,977.00	-25,324.00	0.00	0.00
NET INCOME (LOSS) (MOR-6)	-22,938.00	-46,115.00	-10,124.00	-47,183.00	0.00	0.00
PAYMENTS TO INSIDERS (MOR-9)	0.00	0.00	0.00	0.00	0.00	0.00
PAYMENTS TO PROFESSIONALS (MOR-9)	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DISBURSEMENTS (MOR-8)	229,305.08	212,156.47	347,099.55	309,780.61	0.00	0.00

\*First month includes from date of filing.

\*\*\*The original of this document must be filed with the United States Bankruptcy Court and a copy must be sent to the United States Trustee\*\*\*

REQUIRED INSURANCE MAINTAINED		EXP.
AS OF SIGNATURE DATE		DATE
CASUALTY	YES (X) NO ( )	
LIABILITY	YES (X) NO ( )	
VEHICLE	YES ( ) NO (X)	
WORKER'S	YES ( ) NO (X)	
OTHER	YES ( ) NO (X)	

Are all accounts receivable being collected within terms?

CIRCLE ONE

☒ Yes ☐ No

Are all post-petition liabilities, including taxes, being paid within terms?

☒ Yes ☐ No

Have any pre-petition liabilities been paid?

☒ Yes ☐ No

If so, describe \_\_\_\_\_

Are all funds received being deposited into DIP bank accounts?

☒ Yes ☐ No

Were any assets disposed of outside the normal course of business?

☒ Yes ☐ No

If so, describe \_\_\_\_\_

Are all U.S. Trustee Quarterly Fee Payments current?

☒ Yes ☐ No

What is the status of your Plan of Reorganization? \_\_\_\_\_

ATTORNEY NAME: Peter Johnson  
FIRM NAME: \_\_\_\_\_  
ADDRESS: 11 Greenway, S 2820  
Houston, Texas 77046  
CITY, STATE, ZIP: \_\_\_\_\_  
TELEPHONE/FAX: 713.961.1200

I certify under penalty of perjury that the following complete  
Monthly Operating Report (MOR), consisting of MOR-1 through  
MOR-9 plus attachments, is true and correct.

SIGNED X

TITLE:

(PRINT NAME OF SIGNATORY)

DATE Revised 07/01/98

MOR-1

CASE NAME: WMF Airport Hotel, Ltd  
CASE NUMBER: 11-34676

### COMPARATIVE BALANCE SHEETS

ASSETS	FILING DATE*	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	3-Jun-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
<b>CURRENT ASSETS</b>							
Cash	89,338.34	168,132.92	209,081.13	122,522.48	56,666.71		
Accounts Receivable	124,371.15	41,107.15	52,116.49	55,966.50	55,340.13		
Retainage	0.00	0.00	0.00	0.00	0.00		
Inventory: Lower of Cost or Market	18,475.18	17,407.68	17,215.09	17,594.26	17,286.36		
Other		419,729.96	412,053.20	404,376.44	396,699.68		
<b>TOTAL CURRENT ASSETS</b>	<b>232,184.67</b>	<b>646,377.71</b>	<b>690,465.91</b>	<b>600,459.68</b>	<b>525,992.88</b>	<b>0.00</b>	<b>0.00</b>
<b>PROPERTY, PLANT &amp; EQUIP.</b>	<b>9,723,220.00</b>	<b>5,541,013.15</b>	<b>5,541,013.15</b>	<b>5,545,144.15</b>	<b>5,545,144.15</b>		
Less Accumulated Depreciation							
<b>NET BOOK VALUE OF PP &amp; E</b>	<b>9,723,220.00</b>	<b>5,541,013.15</b>	<b>5,541,013.15</b>	<b>5,545,144.15</b>	<b>5,545,144.15</b>	<b>0.00</b>	<b>0.00</b>
<b>OTHER ASSETS</b>							
<b>TOTAL ASSETS</b>	<b>\$9,955,404.67</b>	<b>\$6,187,390.86</b>	<b>\$6,231,479.06</b>	<b>\$6,145,603.83</b>	<b>\$6,071,137.03</b>	<b>\$0.00</b>	<b>\$0.00</b>

\* Per Schedules and Statement of Affairs

Schedules Show Property at market value: we have converted to cost for reporting purposes to the U.S. Trustees.

Revised 07-01-98

MOR-2

CASE NAME: WMF Airport Hotel, Ltd  
CASE NUMBER: 11-34676

### COMPARATIVE BALANCE SHEETS

LIABILITIES & OWNER'S EQUITY	FILING DATE*	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	3-Jun-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
<b>LIABILITIES</b>							
POST-PETITION LIABILITIES(MOR-4)		224,525.12	321,424.93	242,336.86	215,051.26		
<b>PRE-PETITION LIABILITIES</b>							
Notes Payable - Secured	8,970,000.00	8,970,000.00	8,970,000.00	8,970,000.00	8,970,000.00		
Priority Debt	84,197.64	84,197.64	84,197.64	84,197.64	84,197.64		
Federal Income Tax**	0.00	0.00	0.00	0.00			
FICA/Withholding							
Unsecured Debt	34,903.61	99,036.21	92,339.14	95,675.81	95,675.81		
Other (disputed, cont, unliq unsec debt)	0.00	0.00	0.00	0.00			
TOTAL PRE-PETITION LIABILITIES	9,089,101.25	9,153,233.85	9,146,536.78	9,149,873.45	9,149,873.45	0.00	0.00
<b>TOTAL LIABILITIES</b>	9,089,101.25	9,377,758.97	9,467,961.71	9,392,210.31	9,364,924.71	0.00	0.00
<b>OWNER'S EQUITY (DEFICIT)</b>							
PREFERRED STOCK		-1,426,981.06	-1,426,980.60	-1,426,980.60	-1,426,980.60		
COMMON STOCK							
ADDITIONAL PAID-IN CAPITAL							
RETAINED EARNINGS: Filing Date		-1,740,450.05	-1,740,450.05	-1,740,450.05	-1,740,450.05		
RETAINED EARNINGS: Post Filing Date		-22,937.00	-69,052.00	-79,175.83	-126,357.03		
TOTAL OWNER'S EQUITY (NET WORTH)	866,303.42	-3,190,368.11	-3,236,482.65	-3,246,606.48	-3,293,787.68	0.00	0.00
<b>TOTAL LIABILITIES &amp; OWNERS EQUITY</b>	\$9,955,404.67	\$6,187,390.86	\$6,231,479.06	\$6,145,603.83	\$6,071,137.03	\$0.00	\$0.00

\* Per Schedules and Statement of Affairs \*\*Subject to adjustment

MOR-3

Revised 07.01.98

CASE NAME: WMF Airport Hotel, Ltd  
CASE NUMBER: 11-34676

### SCHEDULE OF POST-PETITION LIABILITIES

	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
TRADE ACCOUNTS PAYABLE	30,325.63	115,742.42	39,926.48	60,468.28		
TAX PAYABLE						
Federal Payroll Taxes	0.00	0.00	0.00			
State Payroll Taxes	0.00	0.00	0.00			
Ad Valorem Taxes	0.00	0.00	0.00			
Other Taxes	47,617.35	59,337.14	65,469.00	76,590.24		
TOTAL TAXES PAYABLE	47,617.35	59,337.14	65,469.00	76,590.24	0.00	0.00
SECURED DEBT POST-PETITION						
ACCRUED INTEREST PAYABLE						
ACCRUED PROFESSIONAL FEES*						
OTHER ACCRUED LIABILITIES						
1. PAYROLL	40,615.23	50,258.59	49,576.47	8,695.24		
2. INSURANCE	61,597.57	54,753.40	47,909.23	41,065.06		
3. MISC	44,369.34	41,333.38	39,455.68	28,232.44		
TOTAL POST-PETITION LIABILITIES (MOR-3)	\$224,525.12	\$321,424.93	\$242,336.86	\$215,051.26	\$0.00	\$0.00

\*Payment requires Court Approval

MOR-4

Revised 07/01/98



CASE NAME: WMF Airport Hotel, Ltd  
CASE NUMBER: 11-34676

AGING OF POST-PETITION LIABILITIES  
MONTH Sep-11

DAYS	TOTAL	TRADE ACCOUNTS	FEDERAL TAXES	STATE TAXES	AD VALOREM, OTHER TAXES	PAYROLL
0-30	136,178.07	50,892.59			76,590.24	8,695.24
31-60	10,083.30	10,083.30				
61-90	-507.61	-507.61				
91+	0.00					
TOTAL	\$145,753.76	\$60,468.28	\$0.00	\$0.00	\$76,590.24	\$8,695.24

AGING OF ACCOUNTS RECEIVABLE

MONTH	June-11	July-11	August-11	September-11	October-11	
0-30 DAYS	19,284.21	23,733.50	18,924.95	19,295.27		
31-60 DAYS	2,077.64	9,556.35	15,434.29	13,902.44		
61-90 DAYS	1,120.09	254.35	276.12	2,278.46		
91+ DAYS	429.36	75.00	0.00			
TOTAL	\$22,911.30	\$33,619.20	\$34,635.36	\$35,476.17	\$0.00	\$0.00

MOR-5

Revised 07.01.98

CASE NAME: WMF Airport Hotel, Ltd  
CASE NUMBER: 11-34676

## STATEMENT OF INCOME (LOSS)

	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	FILING TO
	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	DATE
REVENUES (MOR-1)	243,120.00	228,671.00	228,813.00	201,861.00			902,465.00
TOTAL COST OF REVENUES	123,750.00	121,776.00	116,422.00	124,299.00			486,247.00
GROSS PROFIT	119,370.00	106,895.00	112,391.00	77,562.00	0.00	0.00	416,218.00
OPERATING EXPENSES:							
Selling & Marketing	41,758.00	42,430.00	38,281.00	29,598.00			152,067.00
General & Administrative	23,147.00	27,142.00	25,163.00	27,480.00			102,932.00
Insiders Compensation							0.00
Professional Fees							0.00
Management Fee	7,203.00	6,863.00	6,753.00	0.00			20,819.00
Other	50,313.00	44,151.00	36,217.00	45,808.00			176,489.00
TOTAL OPERATING EXPENSES	122,421.00	120,586.00	106,414.00	102,886.00	0.00	0.00	452,307.00
INCOME BEFORE INT. DEPR/TAX (MOR-1)	-3,051.00	-13,691.00	5,977.00	-25,324.00	0.00	0.00	-36,089.00
INTEREST EXPENSE							0.00
DEPRECIATION							0.00
OTHER (INCOME) EXPENSE*	16,336.00	31,349.00	13,581.00	17,892.00			79,158.00
OTHER ITEMS**	3,551.00	1,074.00	2,520.00	3,967.00			11,112.00
TOTAL INT, DEPR & OTHER ITEMS	19,887.00	32,423.00	16,101.00	21,859.00	0.00	0.00	90,270.00
NET INCOME BEFORE TAXES	-22,938.00	-46,114.00	-10,124.00	-47,183.00	0.00	0.00	-126,359.00
FEDERAL INCOME TAXES							0.00
NET INCOME (LOSS) (MOR-1)	(\$22,938.00)	(\$46,114.00)	(\$10,124.00)	(\$47,183.00)	\$0.00	\$0.00	(\$126,359.00)

Accrual Accounting Required, Otherwise Footnote with Explanation.

\* Tax and Insurance Escrow.

\*\* Capital Leases and Interest.

MOR-6

Revised 07-01-98

CASE NAME: WMF Airport Hotel, Ltd  
CASE NUMBER: 11-34676

CASH RECEIPTS AND DISBURSEMENTS	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	
1. CASH-BEGINNING OF MONTH	\$93,570.97	\$168,132.92	\$209,081.13	\$122,522.48	\$56,666.71	\$56,666.71	\$93,570.97
RECEIPTS:							
2. CASH SALES	290,182.68	253,104.68	256,690.89	243,298.47			1,043,276.72
3. COLLECTION OF ACCOUNTS RECEIVABLE	13,684.35		3,850.01	626.37			18,160.73
4. LOANS & ADVANCES (attach list)	0.00						0.00
5. SALE OF ASSETS							0.00
6. OTHER (attach list)		0.00	0.00				0.00
TOTAL RECEIPTS**	303,867.03	253,104.68	260,540.90	243,924.84	0.00	0.00	1,061,437.45
							0.00
DISBURSEMENTS:							
7. NET PAYROLL	104,986.93	102,306.47	107,222.02	146,330.57			460,845.99
8. PAYROLL TAXES PAID							0.00
9. SALES, USE & OTHER TAXES PAID	50,828.98	37,890.80	34,259.44	34,452.11			157,431.33
10. SECURED/RENTAL LEASES							0.00
11. UTILITIES & TELEPHONE	42,244.72	13,686.91	48,972.03	19,656.84			124,560.50
12. INSURANCE	0.00	6,844.17	8,758.00	13,688.34			29,290.51
13. INVENTORY PURCHASES							0.00
14. VEHICLE EXPENSES							0.00
15. TRAVEL & ENTERTAINMENT	232.89	645.02	457.95	231.25			1,567.11
16. REPAIRS, MAINTENANCE & SUPPLIES	20,023.64	21,166.34	64,773.52	39,983.64			145,947.14
17. ADMINISTRATIVE & SELLING	10,987.92	27,666.76	75,454.04	50,562.86			164,671.58
18. MANAGEMENT FEE			7,202.55				7,202.55
TOTAL DISBURSEMENTS FROM OPERATIONS	229,305.08	210,206.47	347,099.55	304,905.61	0.00	0.00	1,091,516.71
19. PROFESSIONAL FEES							0.00
20. U.S. TRUSTEE FEES		1,950.00		4,875.00			6,825.00
21. MIDLAND LOAN SERVICE - NOTE PAYMENT	0.00						0.00
TOTAL DISBURSEMENTS**	229,305.08	212,156.47	347,099.55	309,780.61	0.00	0.00	1,098,341.71
22. NET CASH FLOW	74,561.95	40,948.21	-86,558.65	-65,855.77	0.00	0.00	-36,904.26
23. CASH - END OF MONTH (MOR-2)	\$168,132.92	\$209,081.13	\$122,522.48	\$56,666.71	\$56,666.71	\$56,666.71	\$56,666.71

MOR-7

\*\*Numbers for the current month should balance (match)  
RECEIPTS and CHECKS/OTHER DISBURSEMENTS lines on MOR-8

Revised 07/01/98

CASE NAME: WMF Airport Hotel, Ltd  
CASE NUMBER: 11-34676

**CASH ACCOUNT RECONCILIATION\*\***  
**MONTH OF** Sep-11

BANK NAME	Bank #1	Bank #2	Bank #3	Bank #4	
ACCOUNT NUMBER	3552284/8378537727	3553744	8378537701	4121638852	
ACCOUNT TYPE	OPERATING	GM	TAX	OTHER FUNDS	TOTAL
BANK BALANCE	72,420.84	8,779.37	8,216.11	2,632.24	\$92,048.56
DEPOSITS IN TRANSIT	43,119.21	15,529.96			\$58,649.17
OUTSTANDING CHECKS	94,031.02				\$94,031.02
ADJUSTED BANK BALANCE	\$21,509.03	\$24,309.33	\$8,216.11	\$2,632.24	\$56,666.71
BEGINNING CASH - PER BOOKS	87,288.91	24,309.33	8,236.11	2,688.13	\$122,522.48
RECEIPTS*	243,924.84				\$243,924.84
TRANSFERS BETWEEN ACCOUNTS					\$0.00
(WITHDRAWAL) OR CONTRIBUTION BY INDIVIDUAL DEBTOR MFR-2					\$0.00
CHECKS/OTHER DISBURSEMENTS*	309,704.72		20.00	55.89	\$309,780.61
ENDING CASH - PER BOOKS	\$21,509.03	\$24,309.33	\$8,216.11	\$2,632.24	\$56,666.71

MOR-8

\*Numbers should balance (match) TOTAL RECEIPTS and  
TOTAL DISBURSEMENTS lines on MOR-7

Revised 07-01-98

CASE NAME: WMF Airport Hotel, Ltd  
CASE NUMBER: 11-34676

### PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown for the month, list the amount paid to insiders (as defined in Section 101(31)(A)-(F) of the U.S. Bankruptcy Code) and the professionals. Also, for insiders, identify the type of compensation paid (e.g., salary, commission, bonus, etc.) (Attach additional pages as necessary).

INSIDERS: NAME/COMP TYPE	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
1.	0.00	0.00	0.00	0.00		
2.						
3.						
4.						
5.						
6.						
TOTAL INSIDERS (MOR-1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

PROFESSIONALS	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
1. Law Offices of Peter Johnson	0.00	0.00	0.00	0.00		
2.						
3.						
4.						
5.						
6.						
TOTAL PROFESSIONALS (MOR-1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

MOR-9

Revised 07/01/98

## DISCLOSURE STATEMENT APPENDIX "3"

WMF AIRPORT HOTEL LTD  
 PROFIT AND LOSS SUMMARY  
 Projected 2012 Based on Workout with Wells Fargo

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	TOTAL	TOTAL
	Proj 2012	Proj 2012	Proj 2012	Proj 2012	Proj 2012	Proj 2012	Proj 2012	Proj 2012	Proj 2012	Proj 2012	Proj 2012	Proj 2012	Proj 2012	Proj 2013	Proj 2014
REVENUE															
ROOMS	249,334	273,571	351,819	318,945	369,058	283,201	265,874	285,245	235,595	252,080	228,887	213,114	3,346,722	3,695,726	4,071,264
TELEPHONE	82	253	78	168	247	209	287	143	285	70	133	35	1,989	2,415	2,415
FOOD	36,396	37,720	37,182	33,309	32,587	32,885	28,819	23,211	40,337	31,145	36,601	31,001	401,293	443,141	488,171
BEVERAGE	5,455	5,681	4,330	3,749	5,817	5,445	3,878	4,116	4,904	4,312	5,044	5,084	58,816	64,949	71,549
OTHER DEPARTMENTS	2,385	1,743	2,798	3,865	3,169	3,597	5,955	4,460	1,090	2,208	1,151	1,196	33,617	37,123	40,895
TOTAL GROSS REVENUE	293,652	318,967	396,207	361,037	430,878	325,337	304,814	317,175	282,311	289,815	271,815	250,429	3,842,437	4,243,335	4,674,294
EXPENSES OF OPERATION															
ROOMS	73,354	76,609	100,429	90,572	92,348	85,335	87,739	81,391	69,599	77,608	85,460	82,039	1,002,483	1,084,883	1,171,220
TELEPHONE	1	74	157	2	4	6	5	2,494	2	7	2	69	2,825	2,825	2,825
FOOD	32,301	31,781	41,507	33,927	34,215	36,821	33,010	32,639	34,910	33,678	34,910	31,480	411,180	431,355	451,428
BEVERAGE	4,262	5,763	5,119	4,296	4,095	4,469	3,467	3,704	3,253	4,948	3,375	4,380	51,131	55,333	59,737
OTHER DEPARTMENTS	93	-	408	197	100	73	376	61	22	58	227	24	1,639	1,810	1,994
TOTAL EXPENSES OF OPERATION	110,011	114,228	147,621	128,994	130,761	126,704	124,598	120,289	107,786	116,299	123,973	117,992	1,469,257	1,576,207	1,687,204
GROSS PROFIT	175,980	196,962	251,390	228,373	296,710	197,866	178,135	203,854	165,996	174,472	143,427	131,075	2,344,240	2,510,843	2,900,044
ROOMS	81	179	(80)	166	243	203	282	(2,351)	282	63	131	(35)	(836)	(410)	(410)
TELEPHONE	4,095	5,939	(4,326)	(618)	(1,628)	(3,935)	(4,191)	(9,428)	5,527	(2,533)	1,691	(479)	(9,886)	11,786	36,743
BEVERAGE	1,193	(82)	(789)	453	1,723	976	411	413	1,651	(637)	1,669	704	7,685	9,616	11,812
OTHER DEPARTMENTS	2,292	1,743	2,390	3,668	3,068	3,524	5,579	4,399	1,068	2,150	924	1,172	31,978	35,312	38,901
TOTAL GROSS PROFIT	183,641	204,739	248,586	232,043	300,117	198,633	180,216	196,866	174,524	173,516	147,842	132,437	2,373,180	2,667,147	2,987,089
UNDISTRIB EXP OF OP															
ADMINISTRATIVE & GENERAL	30,092	24,764	34,134	24,165	32,882	26,112	27,342	27,359	26,280	24,878	24,407	22,016	324,431	340,388	356,187
ADVERTISING & PROMOTION	26,601	24,163	31,523	31,610	31,063	28,001	29,461	23,561	23,037	19,125	24,684	21,143	313,972	346,731	381,944
FRANCHISE FEES	15,498	18,186	17,698	15,741	16,628	13,757	12,969	14,720	12,680	12,923	12,728	11,184	174,712	192,932	212,536
MANAGEMENT FEE	7,656	8,344	9,126	8,177	9,664	7,203	6,863	6,753	6,920	6,802	6,792	5,993	90,293	99,714	109,841
MAINTENANCE	21,732	15,122	25,444	25,015	21,085	25,505	18,867	13,121	17,180	22,778	22,362	23,638	251,849	275,345	300,275
ENERGY	16,625	17,887	15,987	17,205	19,953	24,808	25,284	23,096	24,469	20,887	18,457	18,830	243,488	263,515	284,471
TOTAL UNDISTRIB EXP OF OP	118,203	108,467	133,911	121,913	131,276	125,386	108,610	110,566	110,566	107,392	109,428	102,804	1,398,744	1,518,605	1,645,255
GROSS OPERATING PROFIT	65,437	96,272	114,674	110,130	168,840	73,248	59,429	88,276	63,958	66,124	38,414	29,633	974,436	1,148,542	1,341,835
FIXED EXPENSES															
PROPERTY TAXES	10,158	10,158	10,158	10,158	10,158	10,158	10,158	10,158	10,158	10,158	10,158	10,158	121,896	121,896	121,896
LAND RENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
INCENTIVE MGT FEE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROPERTY INSURANCE	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	105,132	105,132	105,132
NET OPERATING INCOME	46,518	77,353	95,755	91,211	149,921	54,329	40,510	69,357	45,039	47,205	19,495	10,714	747,408	921,514	1,114,807
FRANCHISE TAXES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
INTEREST INCOME	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CAPITAL LEASES	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	2,520	30,240	30,240	30,240
INCOME BEFORE DEPRECIATION	43,998	74,833	93,235	88,691	147,401	51,809	37,990	66,837	42,519	44,685	16,975	8,194	717,168	891,274	1,084,566
OWNER'S COMMISSION															
DEPRECIATION	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service(30 yr 4.25,9,300,000)	45,750	45,750	45,750	45,750	45,750	45,750	45,750	45,750	45,750	45,750	45,750	45,750	549,000	549,000	549,000
REPLACEMENT RESERVE	8,810	9,569	11,886	10,831	12,926	9,760	9,144	9,515	8,469	8,694	8,154	7,513	115,273	127,301	140,229
NET INCOME/(LOSS)	(10,561)	19,514	35,598	32,110	88,725	(3,701)	(16,904)	11,572	(11,701)	(9,760)	(36,930)	(45,069)	52,895	214,973	395,338
HOTEL ROOM STATISTICS															
AVAILABLE ROOMS	6,014	5,432	6,014	5,820	6,014	5,820	6,014	6,014	5,820	6,014	5,820	6,014	70,810	70,810	70,810
OCCUPIED ROOMS	3,151	3,297	4,330	3,777	4,059	3,492	3,428	3,440	3,003	3,236	3,026	3,281	43,215	43,215	45,340
OCCUPANCY PERCENT	52.4%	60.7%	72.0%	64.9%	67.5%	60.1%	57.0%	57.2%	51.6%	53.8%	52.0%	47.4%	58.0%	61.0%	64.0%
AVERAGE DAILY RATE	\$ 79.12	\$ 82.97	\$ 81.25	\$ 84.44	\$ 95.84	\$ 80.84	\$ 77.56	\$ 82.92	\$ 78.45	\$ 77.91	\$ 75.63	\$ 74.76	\$ 81.45	\$ 85.52	\$ 89.79
NUMBER OF GUESTS	3,644	3,680	4,641	3,794	3,927	3,098	3,369	3,403	2,964	3,239	3,360	2,988	41,767	43,926	46,086
AVERAGE PER GUEST	\$88.42	\$74.34	\$75.81	\$84.07	\$99.07	\$91.41	\$78.45	\$93.74	\$79.49	\$77.83	\$68.12	\$71.32	\$80.13	\$84.13	\$88.34
REVPAR	\$41.46	\$50.36	\$58.50	\$54.80	\$64.69	\$48.66	\$44.21	\$47.43	\$40.48	\$41.92	\$39.33	\$35.44	\$47.26	\$52.19	\$57.50
Market RevPar	\$41.78	\$49.57	\$57.08	\$52.07	\$56.60	\$52.73	\$45.26	\$45.44	\$44.73	\$44.53	\$43.69	\$35.38	\$47.38		

## APPENDIX TO DISCLOSURE STATEMENT "4"

WMF AIRPORT HOTEL LTD  
PROFIT AND LOSS STATEMENT  
FOR THE MONTH AND EIGHT MONTHS ENDING AUGUST 31, 2011

CURRENT MONTH			YEAR-TO-DATE		
ACTUAL	%		ACTUAL	%	
REVENUE					
201,883	88.2%	ROOMS	1,889,877	87.9%	
143	0.1%	TELEPHONE	1,466	0.1%	
18,211	8.0%	FOOD	190,609	8.9%	
4,116	1.8%	BEVERAGE	39,472	1.8%	
4,460	1.9%	OTHER DEPARTMENTS	27,972	1.3%	
228,813	100.0%	TOTAL GROSS REVENUE	2,149,396	100.0%	
DEPARTMENTAL EXPENSE					
78,743	39.0%	ROOMS	670,288	35.5%	
2,494	1744.4%	TELEPHONE	2,745	187.2%	
31,420	172.5%	FOOD	265,754	139.4%	
3,704	90.0%	BEVERAGE	35,175	89.1%	
61	1.4%	OTHER DEPARTMENTS	1,308	4.7%	
116,422	50.9%	TOTAL EXPENSES OF OPERATION	975,269	45.4%	
NET DEPARTMENTAL INCOME					
123,140	61.0%	ROOMS	1,219,589	64.5%	
(2,351)	-1644.4%	TELEPHONE	(1,278)	-87.2%	
(13,209)	-72.5%	FOOD	(75,145)	-39.4%	
413	10.0%	BEVERAGE	4,297	10.9%	
4,399	98.6%	OTHER DEPARTMENTS	26,664	95.3%	
112,391	49.1%	TOTAL GROSS PROFIT	1,174,127	54.6%	
UNDISTRIBUTED EXP OF OP					
25,163	11.0%	ADMINISTRATIVE & GENERAL	199,352	9.3%	
23,561	10.3%	ADVERTISING & PROMOTION	225,982	10.5%	
14,720	6.4%	FRANCHISE FEE	125,198	5.8%	
6,753	3.0%	MANAGEMENT FEE	63,787	3.0%	
13,121	5.7%	MAINTENANCE	165,891	7.7%	
23,096	10.1%	ENERGY	160,845	7.5%	
106,414	46.5%	TOTAL UNDISTRIBUTED EXP OF OP	941,054	43.8%	
5,977	2.6%	GROSS OPERATING PROFIT	233,073	10.8%	
FIXED EXPENSES					
6,169	2.7%	PROPERTY TAXES	78,427	3.6%	
0	0.0%	MORTGAGE PAYMENT	0	0.0%	
0	0.0%	SALES TAX AUDIT	0	0.0%	
7,412	3.2%	PROPERTY INSURANCE	71,686	3.3%	
(7,603)	-3.3%	NET OPERATING INCOME	82,960	3.9%	
0	0.0%	FRANCHISE TAXES	0	0.0%	
0	0.0%	INTEREST INCOME	0	0.0%	
2,520	1.1%	CAPITAL LEASES	18,345	0.9%	
(10,124)	-4.4%	INCOME BEFORE DEPRECIATION	64,614	3.0%	
0	0.0%	EXTRAORDINARY EXPENSE	25,000	1.2%	
0	0.0%	INTEREST	1,031	0.0%	
0	0.0%	REPLACEMENT RESERVE	0	0.0%	
(10,124)	-4.4%	NET INCOME	38,584	1.8%	
HOTEL ROOM STATISTICS					
6,014		AVAILABLE ROOMS	47,142		
1,514	\$68.91	OCCUPIED TRANSIENT RMS/ADR	10,591	\$80.27	
1,075	\$90.75	OCCUPIED GROUP RMS/ADR	13,402	\$77.58	
2,589	\$77.98	TOTAL OCCUPIED RMS/ADR	23,993	\$78.77	
43.0%		OCCUPANCY PERCENT	50.9%		
\$77.98		AVERAGE DAILY RATE	\$78.77		
3,043		NUMBER OF GUESTS	29,216		
\$66.34		AVERAGE PER GUEST	\$64.69		
\$33.57		REVPAR	\$40.09		
2,032		ARRIVALS	17,846		
1.27		AVERAGE STAY	1.34		
-48.2%		FLOW THRU	-126.6%		